

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L HELSINKI 0517

E.O. 11652: GDS

TAGS: ELAB, PINT, FI

SUBJECT: PRICE FREEZE HIGHLIGHTS TENTATIVE AGREEMENT
ON INCOMES POLICY

REF: (A) HELSINKI 366 (B) HELSINKI 493 (NOTAL)

BEGIN SUMMARY: FINNISH GOVERNMENT ON MARCH 9 IMPOSED
SNAP PRICE FREEZE AS PART OF EFFORT TO SEW UP A
CENTRALIZED INCOMES POLICY AGREEMENT WHICH WILL
GOVERN NATION'S LABOR RELATIONS FOR NEXT 22 MONTHS.
AVERAGE INCREASES FOR INDUSTRIAL WORKERS WILL BE
ABOUT 12 PERCENT IN BOTH 1974 AND 1975. END SUMMARY.

1. THE TWO CENTRAL PARTICIPANTS IN THE INCOMES
POLICY NEGOTIATIONS -- THE FINNISH TRADE UNION
CONFEDERATION (SAK) AND THE FINNISH EMPLOYERS'
CONFEDERATION (STK) -- ACCEPTED ON MARCH 9 A
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SETTLEMENT PROPOSAL MADE BY SPECIAL INCOMES POLICY

NEGOTIATOR, SEPPO LINDBLOM. RESPONSES FROM OTHER PARTICIPANTS IN THE NEGOTIATIONS ARE DUE BY MARCH 14. APPROVAL IS PROBABLE BUT NOT YET CERTAIN. THE 250,000 MEMBER FEDERATION OF CIVIL SERVANTS AND SALARIED EMPLOYEES (TVK), WHICH FEELS SETTLEMENT SHORT-CHANGES ITS MEMBERS, IS THE MOST LIKELY TO DRAG ITS FEET, BUT IT WILL PROBABLY SETTLE FOR ASSURANCES THAT ITS CONCERNS WILL BE TAKEN INTO ACCOUNT IN THE DETAILED NEGOTIATIONS WHICH ARE STILL TO COME WITHIN THE FRAMEWORK OF THE NATIONWIDE CENTRALIZED SETTLEMENT.

2. MOST DRAMATIC EFFECT OF SETTLEMENT IS PRICE FREEZE IMPOSED BY GOVERNMENT ON MARCH 9. LINDBLOM'S PROPOSAL HAD RECOMMENDED PRICE FREEZE BEGIN CONCURRENT WITH NEW CONTRACTS ON APRIL 1. THE GOVERNMENT, HOWEVER, IN RESPONSE TO ANSAK DEMAND IMPOSED THE FREEZE IMMEDIATELY TO FORESTALL LAST-MINUTE PRICE HIKES. THE FREEZE COVERS ONLY DOMESTIC PRICE INPUTS AND ALSO DOES NOT INCLUDE RENTS -- ALTHOUGH MOST RENTS ARE REGULATED BY EXISTING MACHINERY. THE FREEZE WILL CONTINUE IN FULL FORCE UNTIL AUGUST 31, 1974 AND BE EASED GRADUALLY THEREAFTER.

3. THE SETTLEMENT REPRESENTS AN AVERAGE INCREASE -- INCLUDING ALL BENEFITS -- OF 12.0 PERCENT IN 1974 FOR INDUSTRIAL WORKERS AND 10.4 PERCENT FOR ALL WORKERS. THE FIGURES FOR 1975 ARE 11.9 AND 10.8 PERCENT RESPECTIVELY, ALTHOUGH THE CONTRACT ALLOWS FOR NEW WAGE TALKS EARLY NEXT YEAR. THE AGREEMENT IS TO END JANUARY 31, 1976 (NOT DECEMBER 31 1975 AS REPORTED REFTEL B). IN ADDITION TO TWO SCHEDULED WAGE INCREASES IN 1974 (FINNMARKS 0.55 ON APRIL 1, 1974 AND FINNMARKS 0.20 ON SEPTEMBER 1, 1974) A VARIETY OF OTHER FINANCIAL BENEFITS HAVE BEEN AGREED WHICH INCLUDE: RAISES IN EVENING AND NIGHT-SHIFT DIFFERENTIALS, A NEW MINIMUM HOURLY WAGE OF FMK 4.90 IN 1974 AND FMK 5.60 IN 1975 (UP FROM THE PRESENT AVERAGE OF

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4.08), CHILD ALLOWANCES INCREASES, LARGER MATERNITY BENEFITS, INCREASES AND REVISIONS IN THE WORKERS' PENSION PROGRAM, AS WELL AS GUARANTEES FOR WAGE DRIFT. TAX REDUCTIONS OF FMK 1,350 MILLION WILL BE DISTRIBUTED OVER TWO YEARS OF WHICH 950 MILLION IS TO BE IMPLEMENTED DURING THE FIRST YEAR OF THE CONTRACT. ALTHOUGH THE SIZE OF THE AGRICULTURAL SETTLEMENT IS STILL BEING DISCUSSED, LINDBLOM SUGGESTS

THAT AGRICULTURAL TARGET PRICES BE RAISED CONCURRENTLY
WITH THE WAGES INCREASES: IN 1974 BY 11.5 PERCENT
ON APRIL 1 AND BY ANOTHER 4.1 PERCENT ON SEPTEMBER 1.

4. AS EXPECTED, THE COMMUNISTS OPPOSE THE SETTLEMENT.
BUT THEIR OPPOSITION IS BASED MORE ON POLITICS
THAN ECONOMICS. MORE PROFOUND IS THE PROBLEM OF
THE WHITE-COLLAR ORGANIZATIONS WHICH FIND LITTLE FOR
THEM IN THE NEW AGREEMENT. HAVING RECEIVED LARGER
PROPORTIONS OF THEIR PAY RAISES IN PENSION BENEFITS
THAN THE INDUSTRIAL WORKERS IN PAST YEARS THEY
ARGUE THAT THIS SHOULD BE TAKEN INTO ACCOUNT IN
CALCULATING THEIR WAGE BASE FOR THE PRESENT RAISES,
MOREOVER, THE PUBLIC SECTOR EMPLOYEES WHICH WERE THE
FIRST TO COME TO TERMS IN LAST YEAR'S "UNION-LEVEL"
NEGOTIATIONS, FEEL BETRAYED. THEY WERE PROMISED THAT
THE "PERCENT LINE" FOR WHICH THEY HAD SETTLED WOULD
BE HELD IN SUBSEQUENT NEGOTIATIONS. WHEN IT WAS
NOT THEY WERE LEFT HOLDING THE BAG. THIS YEAR
THEY SAY, SOMEONE ELSE SHOULD HAVE THAT HONOR.
KREHBIEL

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